

2011 Individual Tax Update ©

- 2010 Tax Legislation
- March 18 – Hiring Incentives to Restore Employment Act (the “HIRE Act”)
 - In March, the health care reform, which included many tax provisions
 - September 27, the Small Business Jobs Act
 - December 17, the Tax Relief, Unemployment Insurance Reauthorization, and Jobs Creation Act of 2010
- Prior Legislation
 - Between December 2007 and December 2008, there were eight pieces of federal tax legislation
- The rules change fast!
 - Look for applicable dates – starting and ending
- Expected Tax Legislation
 - To reduce the federal budget deficit, Congress may amend the tax code before December 31, 2011.
 - After the November, 2012 elections, in 2013, more tax legislation is expected.
- New law is made
 - Section 183 – Hobby Loss
 - Reg. 1.183-2(b) Factors
 - Time and Effort Expended in Carrying On the Activity
 - Expectation That the Horses May Appreciate in Value
 - Success in Other Activities
 - History of Income or Losses
 - Amount of Occasional Profits
 - Financial Status
 - Elements of Personal Pleasure
- Divorce Taxation
 - Alimony is deductible by the payor and included in the taxable income of the recipient. See Sections 71 and 215
 - Child support is not deductible by the payor and not included in taxable income of the recipient.
 - Property settlements? Generally carryover basis. See Section 1041
 - Who gets the tax exemption for the children?
 - Who is liable for prior jointly filed tax returns? Does either spouse qualify for “innocent spouse” status?
 - Every “innocent spouse” case is fact intensive. Facts about education, life style, the relationship of the married couple, etc.
 - What did they know and when did they know it? If they didn’t know taxes were owed, why not?
 - Notice 2011-70 Equitable Relief Under Section 6015(f)
- New tax issues:
 - Sale of Annuities
 - Sale of Property
 - Section 83
 - Deferred Compensation